

THE SINGLE PROCESS INITIATIVE

Michael Hutchison and Glenn Harris

"The Single Process Initiative is a vital key to bringing about . . . wholesale transformation in the way the Department [of Defense] does business."

—Jacques S. Gansler
Under Secretary of Defense for
Acquisition, Technology and Logistics

Introduction

What is the Single Process Initiative (SPI) and how did it start? SPI is a method to reduce or consolidate multiple contractor processes to a single process and save money. Contractors can use it to propose the elimination of duplicate or overlapping processes. It's a way to save money or reduce the costs of buying goods within DOD, the Federal Aviation Administration (FAA), and NASA. It's an integral part of DOD acquisition reform and the overall shift toward performance-based contracting. SPI is also a vehicle to achieve DOD's goal of integrating civilian and military processes at contractors' manufacturing facilities. Finally, it's a way for the Army to use industry's best practices and commercial standards.

The SPI Program is an outgrowth of an earlier effort to use performance rather than design specifications to acquire goods and services. In December 1995, the Office of the Secretary of Defense (OSD) targeted block changes on existing contracts as a means of streamlining and provided guidance for the elimination of overlapping or redundant facility practices. Further, OSD requested that the Defense Contract Management Command (now Defense Contract Management Agency (DCMA)) be the program administrator for DOD, the FAA, and NASA. To show support, the Assistant Secretary of the Army for Acquisition, Logistics and Technology committed the Army to successfully apply the SPI concept.

How SPI Works

Initially, the contractor identifies potential overlapping or redundant processes that are candidates for SPI proposals; for example, a contractor facility currently using three or four different contract property management reports that could be replaced by a single commercial process. After informally dis-

cussing the new concept with the government "customer," the contractor submits a concept paper (a written proposal) to the facility's management council. The Services, the Defense Logistics Agency (DLA), or both, evaluate the technical merits of the proposal and approve it, if warranted. Once the approval occurs, the administrative contracting officer (ACO) issues a block change modification to all contracts affected by the proposal.

Benefits from the approved proposal can accrue in several ways, including reduced future unit prices, additional units or services, or, in some cases, negotiated reductions in the value of the contract(s).

For example, the XYZ Co. makes its "spectacular widget" for all the Services, and there are minor differences in the surface machining processes that each Service wants. The XYZ Co., recognizing an opportunity for improvement, then puts together a proposal to establish one machining process that will meet the needs of all the Services. The Services then review and approve (if warranted) that proposal.

The ACO then negotiates a 10-percent price reduction on all future spectacular widgets produced by XYZ and an equivalent increase in the logistics support that XYZ provides for the product. Finally, the ACO issues a block change to modify all contracts where that new machining process occurs. The accompanying figure provides an overview of SPI and the approximate amount of time each segment takes.

Key Players And The Army's Role

DCMA is the lead government facilitator for implementing SPI proposals. The DCMA Commander chairs the local management council. The council generally meets quarterly to discuss SPI proposals and other topics of interest to the contractor and its government customers. The local management council is comprised of personnel rep-

resenting the contractor, DCMA, and the Defense Contract Audit Agency (DCAA), and Service or DLA customers who have significant acquisition programs with the contractor.

Component team leaders are the key individuals for the Services and DLA. They have five main responsibilities: serve on the local management council, assist DCMA in coordinating Army customer evaluations of contractor proposals, represent Army customers in the acceptance (or denial) of contractor proposals, resolve disagreements among Army customers concerning contractor SPI proposals, and establish the Army priority list for any contract savings that result from a proposal.

Corporate-level councils have also been established for the largest Defense contractors. These councils meet periodically to consider corporate issues related to SPI, acquisition reform, or other top-level policy issues.

Technical experts from program executive offices, project management offices, and the major subordinate commands of the Army Materiel Command (AMC) review and approve those proposals that will significantly benefit the Army. Designated Army representatives attend regional and national-level council meetings.

AMC is both the designated Army program manager for SPI and the Army representative on the SPI Management Team (SPIMT). The SPIMT's goal is to facilitate and expand use of the SPI concept. Team members are from all Services, DLA, NASA, FAA, DCAA, and the Office of the DOD Inspector General.

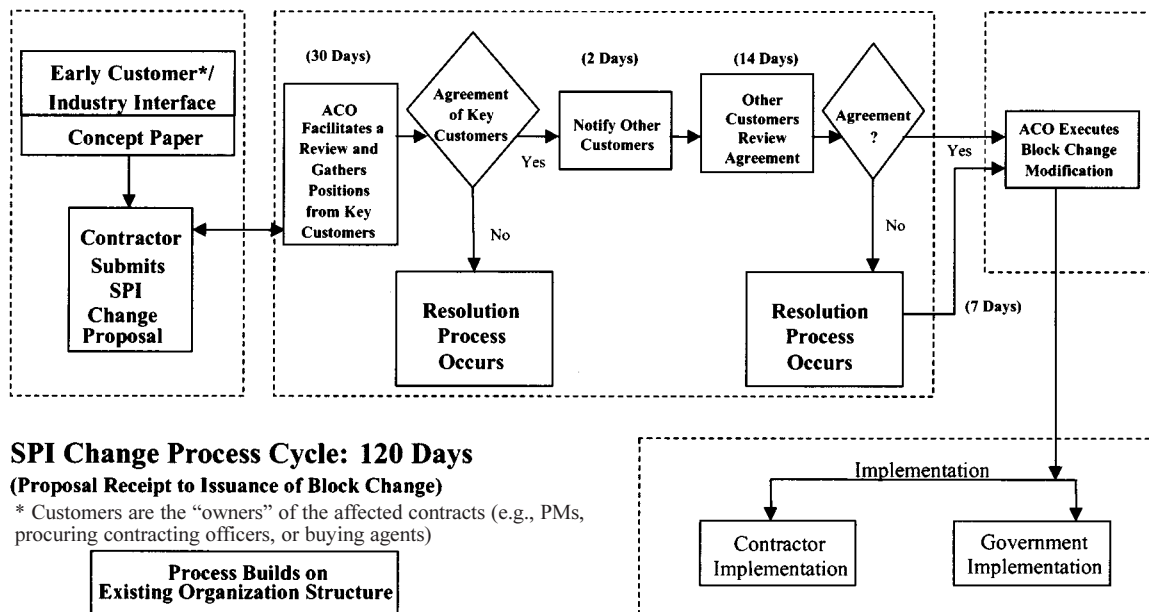
Additionally, the Department of the Army is a member of the SPI Executive Council, whose members include senior-level acquisition managers from all Services. This organization sets broad DOD policy and guidance on the SPI Program.

SPI CHANGE PROCESS OVERVIEW

Proposal Development 30 Days

Approval 60 Days

Contract Modification 30 Days



Benefits To The Army

Thus far, the largest single benefit of the SPI Program was a \$9 million savings on the acquisition of the AH-64 Apache. Improvements to this Army front-line system that are directly attributable to SPI occurred in several areas, including wiring harnesses, soldering, quality standards, and management of subcontractors and suppliers.

For example, improvements introduced through the SPI Program will help to reduce maintenance costs on the Apache because of the adoption of new processes that call for use of aluminum and titanium alloys to extend the service life of parts. In addition, two concept papers led to a change in the paint used on the exterior of the Apache, which resulted in both a cost savings and more environmentally friendly paint compounds. Because of one concept paper, the Army is now using a significant portion of Boeing's metrics for surveillance of subcontractor activity. This resulted in an overall \$2.8 million savings, part of which was shared with the Army.

Smaller benefits have also been achieved for the Apache and a number of other programs. Some of these benefits are also nonmonetary, such as no-cost storage agreements.

The Downside

Like many Army and federal programs, SPI has its critics. In part, they focus on

more recent SPI proposals that haven't generated "instant" savings or the same level of returns achieved from some of the program's earlier initiatives. To some extent, these arguments are valid. The earliest SPI proposals focused on the most visible problems or opportunities, so these were the ones most likely to have a high payback. An organization's normal resistance to change can also lead to objections to programs like SPI that are change-oriented.

More recently, a number of implemented SPI proposals achieved respectable cost avoidances. That is, the Army didn't get money back or an immediate reduction in a contract price, but was able to avoid spending a number of dollars through improved processes. While cost avoidances are harder to measure and don't result in "cash in hand," their value can be potentially significant. For example, OSD currently reports a DOD-wide cost avoidance figure of \$521 million that is attributable to SPI.

The real value of SPI over the long term will likely be its contribution to DOD's goal of integrating civilian and military assets. Part of the goal of this program is to provide incentives to industry to merge their civilian and military facilities and practices. Each SPI concept paper that is approved and implemented is another step toward this end.

SPI's Future

In 2000, there should be some overall process improvements as a result of sugges-

tions from attendees at a 1999 SPI workshop held at Fort Belvoir, VA. There will be more use of pilot programs to test specific new concepts. For example, one process is an ongoing test to determine the possibility of replacing DOD packaging standards with best-commercial practices.

The scope of SPI concept papers will expand to include commercial applications, as well as facility-oriented proposals. Finally, the SPIMT will continue to advocate the benefits and expanded use of the SPI concept.

Future success of the SPI depends largely on the support of DOD's acquisition community. Continued commitment and support of SPI by senior and working-level acquisition professionals will help DOD realize its reform goals and foster more long-term partnerships with industry.

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